

Message Text

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ACTION EB-07

INFO OCT-01 EA-07 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

 DOTE-00 INR-07 NSAE-00 CIEP-01 FAA-00 SSO-00 SS-15

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FM AMEMBASSY JAKARTA

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SUBJECT: CIVAIR - U.S.-INDONESIAN NEGOTIATIONS

REF: (A) STATE 295352, (B) COLWELL-ROESCH TELECON 12/7/76

1. ECONOMIC OFFICER COLWELL AND I MET WITH COMMUNICATIONS MINISTER SALIM AT LATTER'S REQUEST ON DECEMBER 7. MEETING APPARENTLY SPARKED BY REPORT FROM INDONESIAN EMBASSY WASHINGTON THAT GARUDA APPLICATION HAD BEEN SUBMITTED BY CAB TO PRESIDENT FOR APPROVAL. I REPEATED THAT WE HAD NO INFORMATION TO THAT EFFECT AND HAD GENERALLY UNDERSTOOD THAT CAB STILL CONSIDERING MATTER WITH OBLIGATION TO TAKE DECISION BY DECEMBER 27. I WAS UNABLE TO PREDICT WHAT DECISION MIGHT BE ALTHOUGH UNRESOLVED QUESTION OF AMERICAN CARRIER RIGHTS TO INDONESIA COULD EFFECT DECISION.

2. THEN UNSUED CONVERSATION OF MORE THAN ONE HOUR REVIEWING AGAIN CIVIL AVIATION RELATIONSHIP. SALIM CAME BACK TO EARLIER THEME THAT WHAT WAS IMPORTANT WAS ESTABLISHING "BRIDGE OF COMMUNICATION" BETWEEN INDONESIA AND U.S. CIVIL AIR ARRANGEMENTS SHOULD BE SEEN IN TOTAL CONTEXT OF POLITICAL AND ECONOMIC RELATIONSHIP BETWEEN INDONESIA AND U.S. EVEN IF CARRIERS DURING INTITAL PERIOD WERE TO LOSE MONEY, THIS MEANT THAT AGREEMENT SHOULD NOT BE BASED SOLELY ON INTERST OF AIR CARRIERS.

3. SALIM SAID THAT GOI MUCH INTERESTED IN ESTABLISHING AIR

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LINK WITH UNITED STATES. GOVERNMENT WAS OPENING

TOURIST PROMOTION CENTER IN SAN FRANCISCO. ALTHOUGH GARUDA EXPECTED TO LOSE TOTAL OF \$10 MILLION ON SERVICES IN FIRST THREE YEARS (THOUGH IT HOPED TO EARN PROFIT THEREAFTER), GOI HAD ORDERED GARUDA TO GO AHEAD. EVEN THOUGH SERVICES WOULD RESULT IN LOSS FOR GARUDA, IT WOULD BENEFIT COUNTRY AS A WHOLE THROUGH EXPANDED TOURISM, IMPROVED TRADE, AND CLOSER RELATIONS.

4. PAN AMERICAN DECISION TO SUSPEND SERVICE ILLUSTRATED TO SALIM THAT INDONESIA COULD NOT DEPEND UPON FOREIGN CARRIER TO SUPPORT ITS INTERESTS. SALIM SAID IN PASSING THAT HE DID NOT TAKE PAN AMERICAN'S LETTER TOTALLY SERIOUSLY BECAUSE IT WAS ONLY SIGNED BY LOCAL AGENT. BECAUSE OF STRONGER NATIONAL INTERESTS INVOLVED, SALIM SAID THAT IF GARUDA PERMIT DENIED BY CAB, THERE WILL BE "UNFAVORABLE REPERCUSSIONS IN OTHER FIELDS."

5. I EXPLAINED THAT USG DOES NOT NORMALLY GRANT PERMITS TO FOREIGN CARRIERS IN ABSENCE OF RECIPROCAL RIGHTS FOR U.S. CARRIERS. WHETHER US CARRIER CHOOSES TO IMPLEMENT RIGHTS IT OBTAINS IS MATTER LEFT TO CARRIER TO DECIDE SO LONG AS USG SATISFIED THAT A FAIR EXCHANGE OF RIGHTS HAS TAKEN PLACE. I ALSO NOTED THAT SEVERAL GOVERNMENTS ARE SEEKING A CENTRAL PACIFIC ROUTE TO US FOR THEIR CARRIERS AND THAT ABSENT SOME UNDERSTANDING, GARUDA WILL HAVE TO COMPETE WITH NEIGHBORS FOR RIGHT TO FLY TO US. USG CONSIDERS THAT ITS SEPTEMBER 10 PROPOSAL, WHICH IS STILL VALID, REPRESENTS THE MINIMUM ACCEPTABLE ARRANGEMENT FOR US CARRIER IN RETURN FOR GARUDA RIGHTS TO US. I POINTED OUT THAT GOI COUNTER PROPOSAL NOT SATISFACTORY BECAUSE: IT DOES NOT PROVIDE TRUE FIFTH FREEDOM RIGHTS; IT DOES NOT ALLOW NEEDED FLEXIBILITY AT INTERMEDIATE POINTS; AND IT HAS NO PROVISION FOR CONSULTATIONS ON ALL-CARGO SERVICE AND A SECOND DESIGNATED CARRIER. WITH REFERENCE TO SALIM STATEMENT THAT GOVERNMENTAL AGREEMENT SEEMED SOLELY DEPEND ON INTEREST AIRLINE, I MADE POINT THAT USG SEEKING TO ESTABLISH FAIR CONDITIONS FOR US CARRIER IN RETURN FOR VALUABLE RIGHT OF ENTRY INTO US MARKET. THIS DID NOT NECESSARILY MEAN THAT US CARRIER WOULD LIMITED OFFICIAL USE

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USE RIGHTS OR THAT FAVORABLE CAB ACTION FOR GARUDA DEPENDED ON WHAT RIGHTS UNDER AGREEMENT WERE ACTUALLY EXERCISED BY PAN AM.

6. DURING DISCUSSION OF DISTINCTION BETWEEN FIFTH FREEDOM RIGHTS AND STOP-OVER RIGHTS (AS CONTAINED IN GOI COUNTER-PROPOSAL) QUESTION WAS ASKED WHETHER GARUDA WOULD BE ABLE TO CARRY ITS OWN STOP-OVER PASSENGERS

BETWEEN US POINTS. (WOULD APPRECIATE DEPARTMENT ADVICE ON THIS QUESTION.)

7. IN RESPONSE TO SALIM'S STATEMENT THAT BROADER NATIONAL INTERESTS SHOULD BE CONSIDERED AND THAT BOTH AIRLINES SHOULD SUFFER INITIAL LOSSES, I EXPLAINED THAT US HAD ALREADY MADE SUBSTANTIAL CONCESSIONS IN INTERESTS OF BROADER RELATIONS WITH INDONESIA. WE HAD DEPARTED FROM AGREEMENT WHICH WAS TECHNICALLY STILL VALID AND HAD GIVEN AWAY VIRTUALLY ALL OF MOST SIGNIFICANT RIGHTS FOR OUR DESIGNATED CARRIER. UNLIKE GARUDA, WHICH WAS GOVERNMENT AIRLINE, PAN AMERICAN REQUIRED TO SHOW PROFIT. GIVEN ITS PRECARIOUS FINANCIAL SITUATION IT COULD NOT UNDERTAKE LOSING ROUTES AND PRESIDENT COULD NOT DEFEND TO CONGRESS AND OTHERS AGREEMENT WHICH PUT PAN AMERICAN AT FINANCIAL DISADVANTAGE.

8. WE AGREED TO REMAIN IN TOUCH AND EXCHANGE INFORMATION ON PROGRESS OF CAB CASE. CONVERSATION WAS AMIABLE THROUGHOUT.

9. COMMENT: IT IS POSSIBLE THAT SALIM MAY NOW REALIZE LIMITS OF US CONCESSIONS IN CIVIL AVIATION MATTERS AND MIGHT ULTIMATELY, WITH SOME ADJUSTMENTS, ACCEPT SEPTEMBER 10 PROPOSAL. THREE-YEAR RATHER THAN TWO-YEAR PERIOD WOULD MAKE IT MORE PALATABLE TO HIM. BECAUSE DOOR IS DEFINITELY NOT CLOSED AS FAR AS INDONESIA IS CONCERNED, I FEEL IT IS EXTREMELY IMPORTANT THAT CAB NOT REPEAT NOT MAKE FLAT NEGATIVE DECISION ON GARUDA APPLICATION. UNDER CIRCUMSTANCES, AMONG THOSE OPTIONS LISTED IN PARA 1 OF REFTTEL, OPTION 2 WOULD BE MOST DESIRABLE. EVEN MORE DESIRABLE LIMITED OFFICIAL USE

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FROM OUR STANDPOINT WOULD BE POSITIVE CAB DECISION ACCORDING GARUDA RIGHTS TO FLY TO US ON CONDITION USG WAS ABLE OBTAIN FROM GOI RIGHTS PROPOSED IN SEPT. 10 LETTER. WHILE IT IS DIFFICULT TO BE PRECISE ON IMPLICATIONS OF NEGATIVE RESPONSE TO GARUDA, ATMOSPHERICS ARE IMPORTANT IN INDONESIA. MINISTER SALIM IS IMPORTANT TO US IN OTHER AREAS. OFFICIAL NEGATIVE RESPONSE COULD CLOSE DOOR FOR OUR AIR SERVICE FOR SOME TIME TO COME. FROM JAKARTA VIEW POINT WE SEE EVERY ADVANTAGE IN HOLDING DOOR OPEN TO PERMIT GOI ULTIMATELY TO ACCEPT SATISFACTORY VERSION OF OUR BASIC TERMS.
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